



Gain Steam, Go Midstream! Distributor-Focused Residential HVAC and Water Heater Incentives

ENERGY STAR Products Partner Meeting

October 24, 2017

Chicago, IL



Speakers

- Stacy Glatting, U.S. EPA
- Jesus Pernia, Energize CT
- Jen Ryan, Winn Supply
- Howard Merson and Jake Marin, Vermont Energy Investment Corporation
- Francois Lebrasseur, A. O. Smith

What are Distributor-Focused Midstream Incentive Programs?

- Downstream mail-in rebate programs for HVAC and water heaters are difficult to administer and have high overhead & low participation.
- Instead, target the wholesale distributor who provides an “instant rebate” to the contractor, who passes that along to the customer.
- Most products are ENERGY STAR certified.

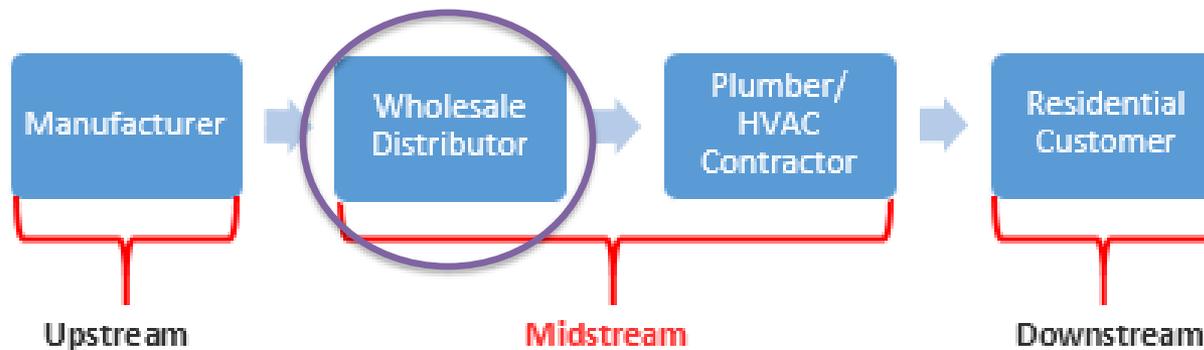


Figure 1: HVAC and Water Heater Residential Incentive Program: Shift from Downstream to Midstream



Why Does ENERGY STAR Care About Midstream Distributor Focused Incentive Programs?

Table 1: Participation Improvement for Distributor-Focused Residential Midstream Programs Compared to Downstream Programs

Efficiency Program	Measure	Incentive Amount	Increase in Program Participation
	ENERGY STAR Certified Heat Pump Water Heater (HPWH) ³	\$750	423% ⁴ (PY1) ⁵
	ENERGY STAR Certified HPWH ⁶	\$400	750% ⁷ (PY1)
	ENERGY STAR Certified HPWH ⁸ and Natural Gas Water Heaters ⁹	\$300 for gas; \$600 for HPWH	1000% ¹⁰ (PY2)
	ENERGY STAR Certified Natural Gas Boiler and Furnaces ¹¹	\$450 to \$800	234% (PY2)
	ENERGY STAR Certified HPWH ¹² and Natural Gas Water Heaters ¹³	\$100 for gas; \$300 for HPWH ¹⁴	Just began program in 2017

Order of magnitude increase in program participation!



New Midstream Website Resource

- Results of other midstream distributor focused programs.
- Why these programs work for all parties.
- Best practices gathered from a technical advisory group (TAG): leading program implementers, manufacturers, and distributors.
- Ability to set up call with TAG to answer your questions.

www.energystar.gov/products/retailers/midstream_programs



Midstream Office Hours

- Bring your questions for our experts to the Midstream Office Hours session!
 - Wednesday, October 25th, 1:15-1:45pm
 - Gold Coast, Level 3



Empowering you to make
smart energy choices

Connecticut Residential HVAC & Water Heating Rebate Program

Gain Stream, Go Midstream! Distributor-Focused Residential HVAC and Water Heating Incentives

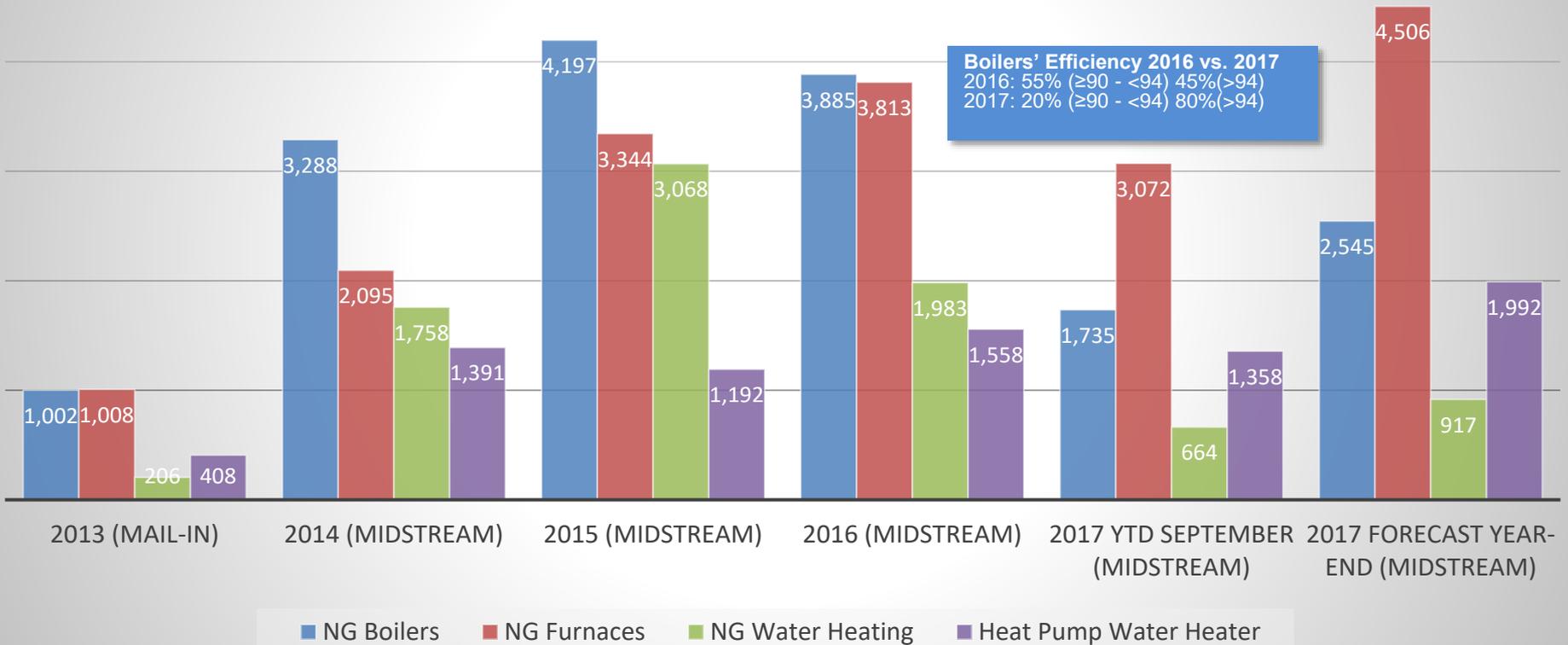
Presented By: Jesus Pernia – Eversource Energy
October 24, 2017



Program Objectives

- Increase market share of energy efficient equipment sold and installed
- Increase program participation and reduce rebate breakage
- Easy incentive/rebate redemption
- Increase awareness and customer education
- Increase stocking of energy efficient equipment at Distributors/Retailers
- Emergency replacements
- Educate Contractors

HVAC & DHW Program Activity (Units)

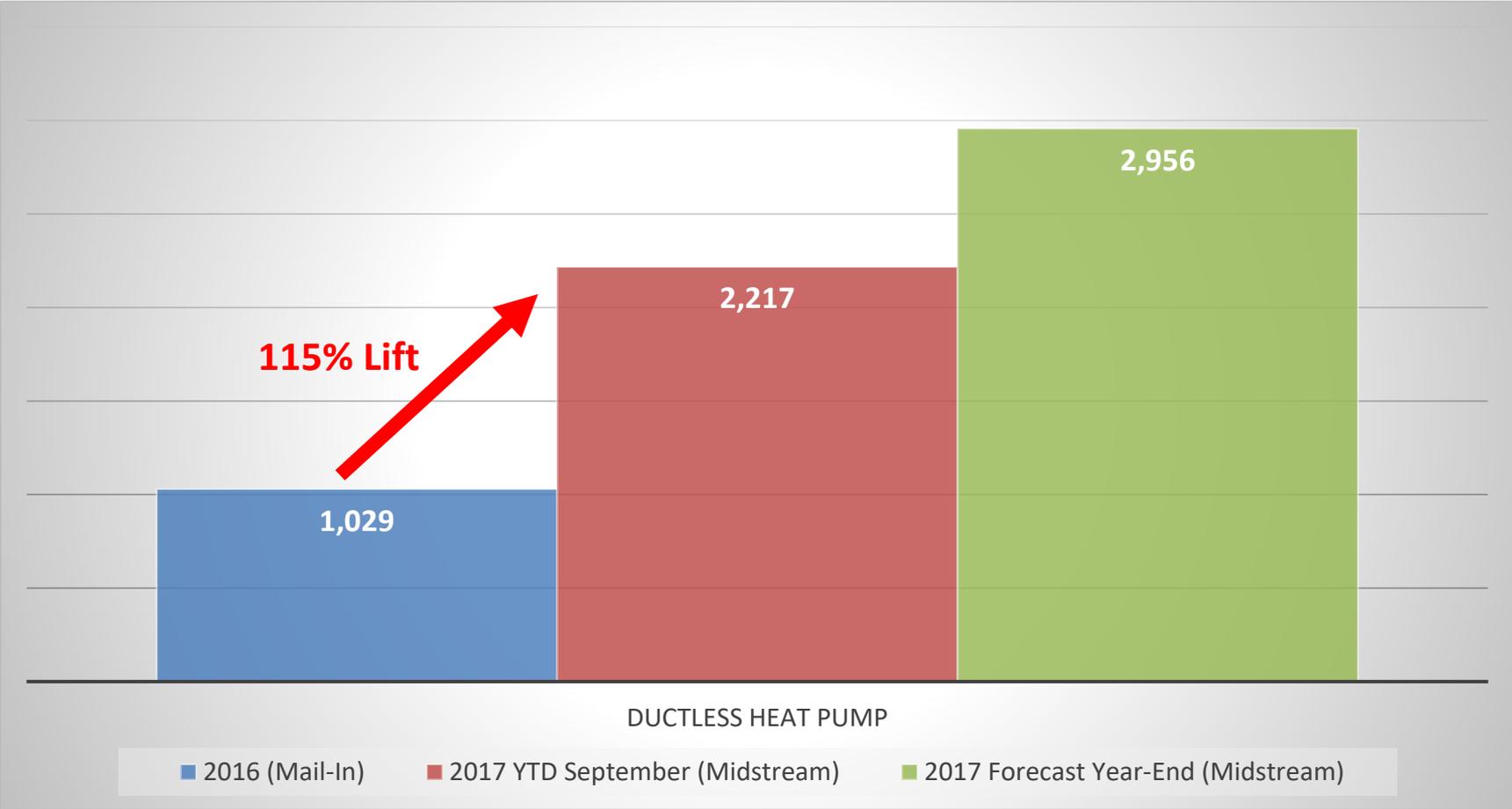


1 Note: Between July 2016 & August 2017 NG Boiler, Furnace, and WH rebates were shutdown in SCG territory due to over subscription.

2 Note: 2017 YTD (Midstream) includes data through the month of September.

Source: Eversource and UI (SCG, CNG) tracking system

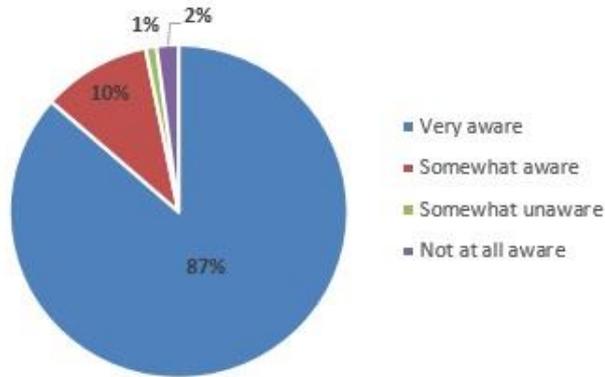
Ductless Heat Pumps - New Midstream in 2017(Units)



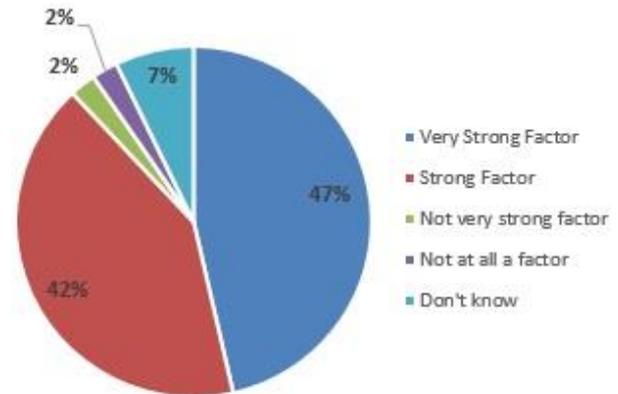
Note: 2017 YTD (Midstream) includes data through the month of September.
Source: Eversource and UI (SCG, CNG) tracking system

CT HVAC+DWH Market Research (Contractors)

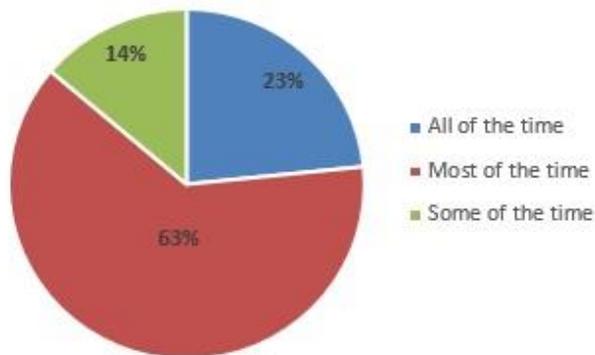
How aware are Contractors that Energize CT offers instant discounts for ENERGY STAR high efficiency equipment?



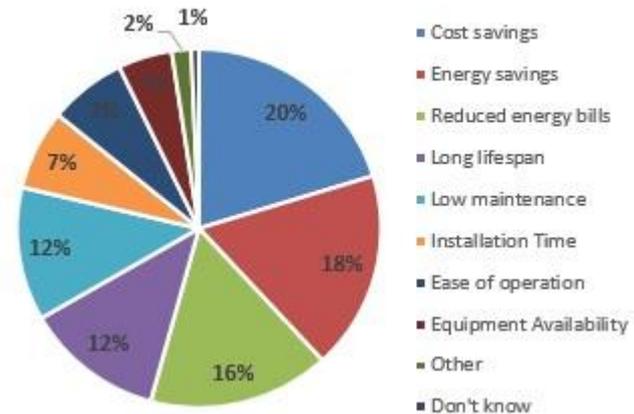
How strong of a factor is the instant discount in a customer decision to proceed with HVAC equipment upgrades?



How frequently do your customers proceed with your recommendations to install high efficiency equipment?

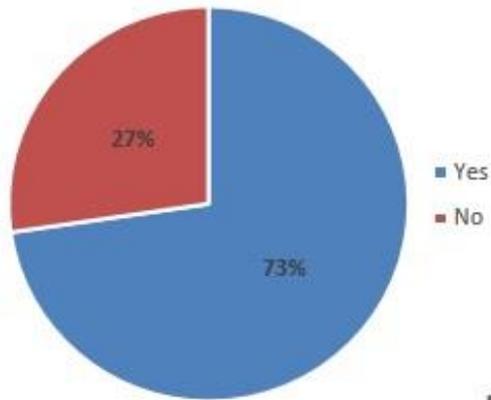


What are the most important factors your customers consider when looking to upgrade their heating system?

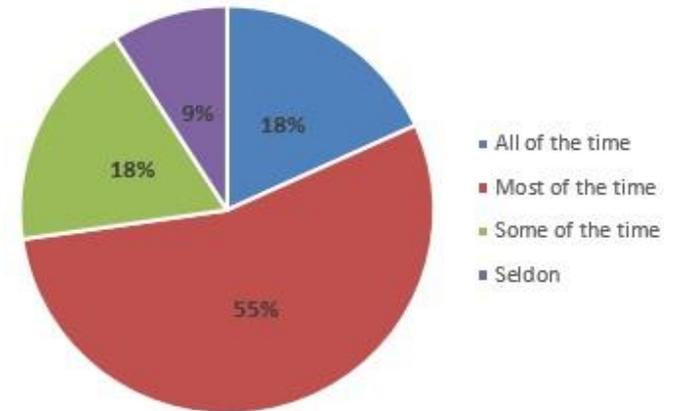


CT HVAC+DWH Market Research (Distributors)

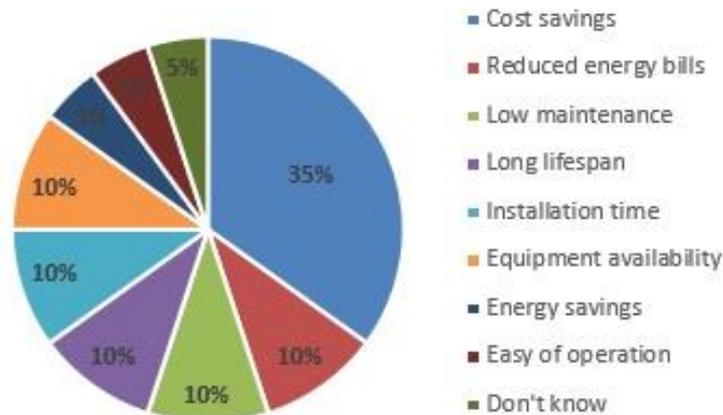
Are Distributors bundling manufacturers' rebates with Energize CT instant discounts to make the upgrade to high efficiency equipment more attractive?



How frequent do contractors proceed with your recommendation to install high efficiency equipment?



Most important factors your Contractors consider when looking to upgrade their customers equipment?



Customer Education & Marketing

- Point of Purchase (POP)
- Radio & Billboards
- Educational webpages, brochures & videos
- Geo-targeted ads
- Targeted direct mail
- Trade-allies training

ENERGY STAR® Natural Gas Furnace or Boiler

SAVE \$450-\$800 NATURALLY!



\$450 OR \$750 INSTANT DISCOUNT ON NATURAL GAS FURNACE \$800 INSTANT DISCOUNT

PRICE OF PARTICIPATING MODELS REFLECTS ENERGIZE CONNECTICUT INSTANT DISCOUNT*

ASK OUR SALES AND SERVICE TEAM FOR DETAILS.

For more information call 1-877 WISE USE (877-947-3873) Or visit EnergizeCT.com

SPECIAL PRICING ON SELECT ENERGY STAR® ELECTRIC HEAT PUMP WATER HEATERS

\$600 INSTANT DISCOUNT

PRICE OF PARTICIPATING MODELS REFLECTS ENERGIZE CONNECTICUT INSTANT DISCOUNT

ASK OUR SALES AND SERVICE TEAM FOR DETAILS.



For more information call 1-877 WISE USE (877-947-3873) Or visit EnergizeCT.com

ENERGY STAR® Natural Gas Water Heater

BIG SAVINGS NATURALLY!

\$300 INSTANT DISCOUNT

PRICE OF PARTICIPATING MODELS REFLECTS ENERGIZE CONNECTICUT INSTANT DISCOUNT*

ASK OUR SALES AND SERVICE TEAM FOR DETAILS.

For more information call 1-877 WISE USE (877-947-3873) Or visit EnergizeCT.com



energize CT CONNECTICUT
Empowering you to make smart energy choices.

Congratulations on your high efficiency equipment purchase!
You are saving by making smart energy choices.

energize CT CONNECTICUT

Replace Yours Before it fails!



Find Out More!

Heat Pump Water Heaters save 50% on Your Water Heating Bill

Get \$600 off when you purchase one today!

EnergizeCT.com



CONNECTICUT MID-STREAM PROGRAM – DISTRIBUTOR PERSPECTIVE

2017 Energy Star Products Partner Meeting

October 23-25, 2017

Jen Ryan | Winsupply of Shelton

Mid-Stream Program Overview



▶ Utilities Publish Qualifying Products List With The Input of Distributors

▶ New Programs Will Need 1 Progressive Distributor Who Puts Their Customers First - The Rest Will Follow

▶ Distributor Reduces The Cost of Equipment At The Point of Sales and Notates Rebates Given On Sales Receipt

▶ Distributor Submits Claims For Reimbursement Through Online Portal

▶ Contractor Identifies Rebate Given On Homeowners Quote/Receipt/Bill

▶ Utility Follows Up With Post Card To Keep Contractors Honest

Highlights & Successes

- ▶ Homeowner and Contractor Have To Do Nothing!
- ▶ Cost Reduction On Front-End Expedites Decision to “Go-Ahead” With Upgrades
- ▶ Contractor Improves Success Ratio With Cost Saving Solutions For Homeowner
- ▶ Free Huge Salesforce With Distributors and Contractors



Highlights & Successes

- ▶ Train, Train, Train!
 - ▶ EnergizeCT Does Periodic Industry Wide Update Trainings & Communicates Updates Throughout the Year Via Email
 - ▶ After Hours Trainings At Our Location With EnergizeCT
 - ▶ Face-To-Face At Our Sales Counter With Contractors
 - ▶ Lunch & Learn Counter Days With EnergizeCT
 - ▶ Weekly Email Newsletters
 - ▶ On-Hold Phone Messaging



October 23-25, 2017
Chicago, Illinois



2017 ENERGY STAR® PRODUCTS PARTNER MEETING



Appliances | Electronics | HVAC | Lighting | Water Heaters

Howard Merson
Vermont Energy
Investment Corp.

Jake Marin
Efficiency Vermont

VEIC's Approach to Upstream / Midstream

1. Project planning
2. **Establish value proposition**
3. **Mapping the supply chain**
4. Eligibility & Performance request
5. Data collection
6. **VEIC SMIT RFI / planning sessions**
7. Establish incentive levels
8. Administration / management fees
9. **Execute SMIT plans**
10. PDA / MOU

Return on Net Assets (RONA) =

Supply Chain's Profit Model

Net Income

Inventory + Accounts Receivable – Accounts Payable

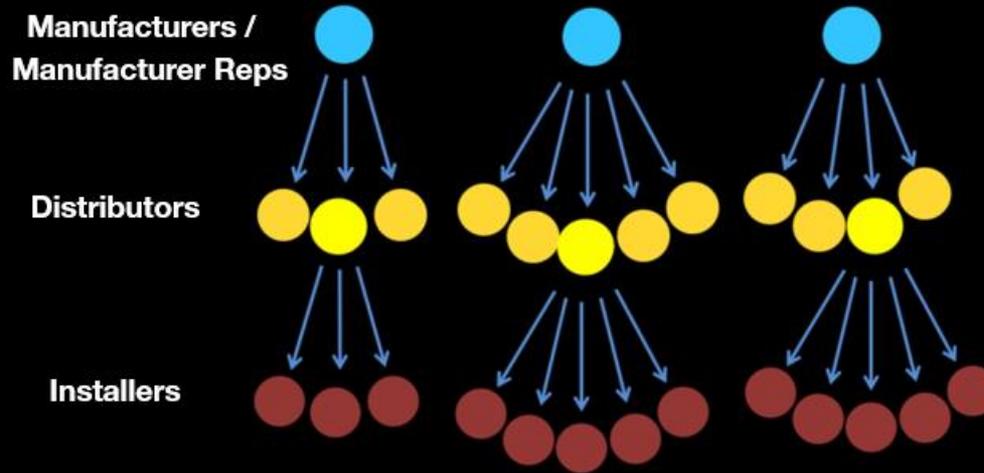
RONA driver	Consideration
Increase gross margin (GM), gross profit (GP) & net income (NI)	<ul style="list-style-type: none">• Energy-efficient products affect GM, GP, & NI
Decrease inventory investment & increase turnover	<ul style="list-style-type: none">• Collaborative sales & marketing• Intensive product & program training• Incentives increase market demand
Accounts Receivable (AR)	<ul style="list-style-type: none">• Avg. AR collection 50 - 55 days; Target < 35 days
Accounts Payable (AP)	<ul style="list-style-type: none">• Avg. AP terms 30 - 35 days; Target: 45 - 240 days

Distributor Value Proposition - HPWHs

	Electric Resistance	HPWH	Variance
Resale from distributor to customer	\$458	\$1054	\$596
Distributor cost (estimate)	\$376	\$850	\$474
Gross profit per water heater	\$82	\$204	\$122
Gross profit generated from 14,000 units / year	\$1,148,000	\$2,856,000	\$1,708,000

HPWH increase distributor value **150%**

Leverage Supply Chain Approach to Recruit & Train Installers and understand the Distributor landscape



Tier	% of Companies	% of Total Branch Locations	Branches	Cumulative
Top 4	7%	55%	148	148 (55%)
Next 5 (9)	9% (16%)	19%	50	198 (74%)
Next 9 (18)	16% (32%)	11%	30	228 (85%)
Next 37 (55)	68% (100%)	15%	42	270 (100%)

SMIT: Sales, Marketing, Inventory & Training

1. Internal / external stakeholder planning meetings
2. RFI (Request for information) to suppliers
3. Suppliers: Develop & present SMIT plan
4. SMIT strategy planning sessions

Section III – Inventory Plan

Hot Water Solutions understands that increased inventory can help to accelerate HPWH sales in the Northwest. As sales volumes increase and technologies improve, it is important to understand how your organization will support the supply chain building inventory, launching new models, and phasing out existing inventory.

7. Inventory Support

Please complete the table below to indicate how you plan to address inventory concerns from distributor customers. Where applicable, please provide additional details on your inventory support plans and describe how Hot Water Solutions can provide assistance.

Inventory Question	Yes/No
Will you consider extending your distributor's payment terms with the objective of elevating inventory levels?	
Will you offer other financial incentives to the distributors, i.e., volume discounts, etc.?	
Will you accept returns of the lower tier HPWHs in exchange for higher tier HPWH inventory?	
Will you eliminate associated inventory restocking fees when your distributors exchange baseline inventory for HPWH inventory?	
Do you plan to have an exchange program of the lower tier HPWH inventory for higher tier HPWH inventory?	
Will you address warranty issues associated with the replaced technology?	

4. Wholesale Marketing Plan

Please use the table below to share your HPWH marketing plan for the wholesale channel. Please mark with an (x) to indicate that you plan to reach an audience with a given tactic. Keeping in mind that cooperative marketing funds are limited, please mark with a (\$) if you would like to collaborate with Hot Water Solutions on a given tactic. Feel free to suggest additional audiences and/or tactics.

Tactic / Audience	Local trade events	Distributor events	Printed literature	Print advertising	Email marketing	Social media	P.O.S. marketing	Other _____
Hot Water Solutions Supply Channel Account Manager								
Regional Utilities								
Wholesale Distributor Management Teams								
Wholesale Distributor Sales Teams								
Trade Installers and Service Contractors								
End Users/ Property Owners								
Other _____								

9. Training Prioritization

Hot Water Solutions is evaluating and updating program training curriculum in 2017 to incorporate adult learning best practices and effectively support installer motivation and sales skills. We are currently working with you to develop and deliver training content from the manufacturer level. By gathering additional information on training plans and deployment we can increase the impact of training through the wholesale channel in the Northwest.

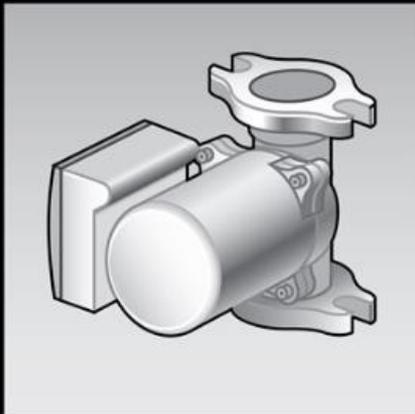
Please use the table below to share the trainings that you have planned for the wholesale channel. Mark with an (x) to indicate that your organization plans to provide training to these audiences in any of the training categories. Understanding that Hot Water Solutions training resources are limited, please mark with a (\$) to indicate where you believe Hot Water Solutions should prioritize training.

Sales contact	Sales Training	Technical and Installation Training	Hot Water Solutions and Utility Program Training
Distributor counter sales associate			
Distributor inside sales associate			
Distributor outside sales associate			
Distributor sales manager			
Distributor branch managers			
Distributor regional managers			
Distributor corporate level managers			
Small contractor companies			
Midsize contractor companies			
Large contractor companies			
Other (please define)			

**Efficiency Vermont
HVAC
Upstream /
Midstream Results**

Efficiency Vermont Midstream HVAC Programs

High Performance
Circulator Pumps



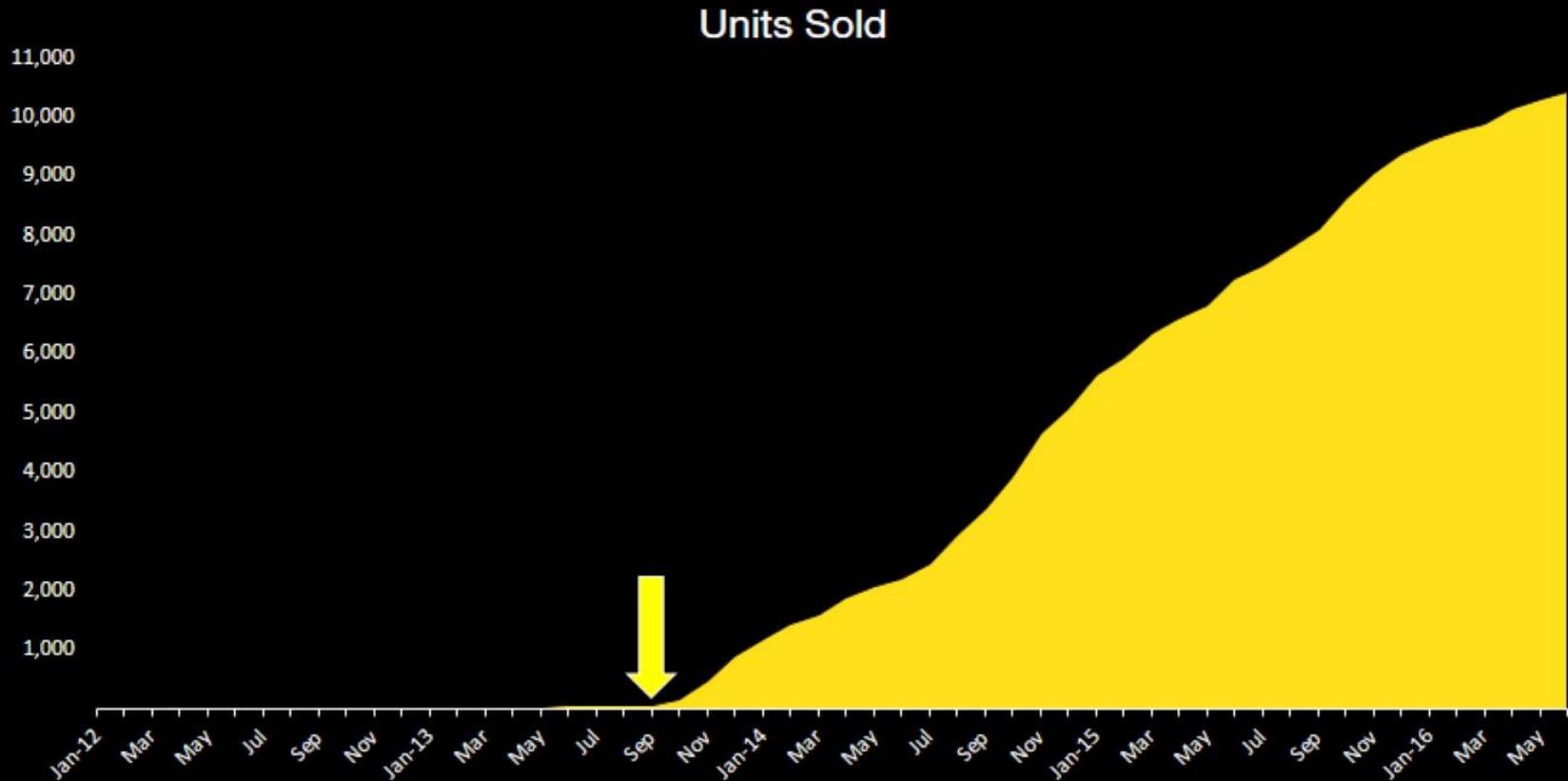
Heat Pump Water
Heaters



Cold Climate Heat
Pumps



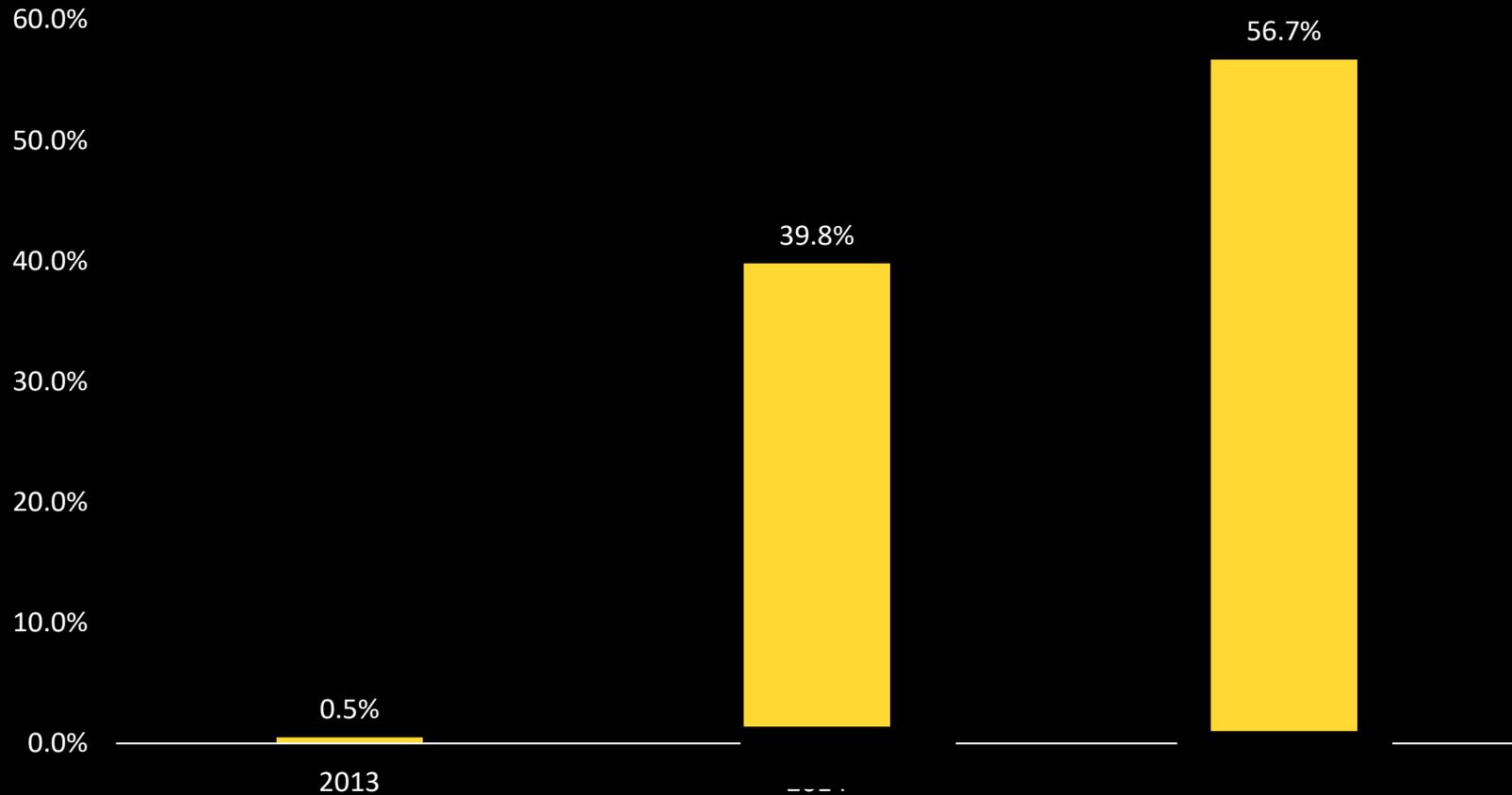
Consolidated Results from Participating Vermont Distributors of High-Performance Circulator Pumps



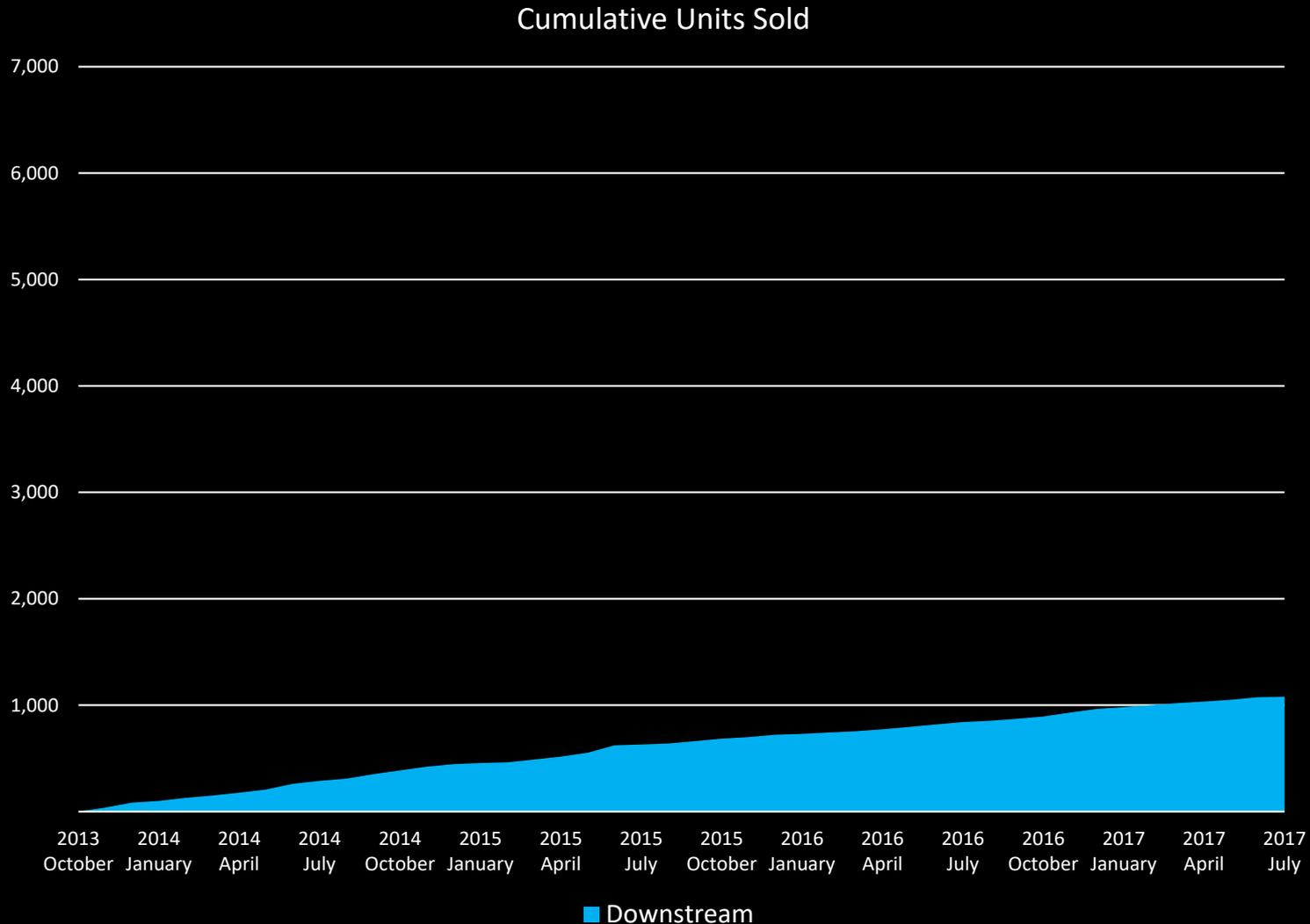
➔ *Every 2.5 Days = TOTAL ANNUAL AVERAGE before Upstream Program!!*

Distributor's "Before & After" Upstream

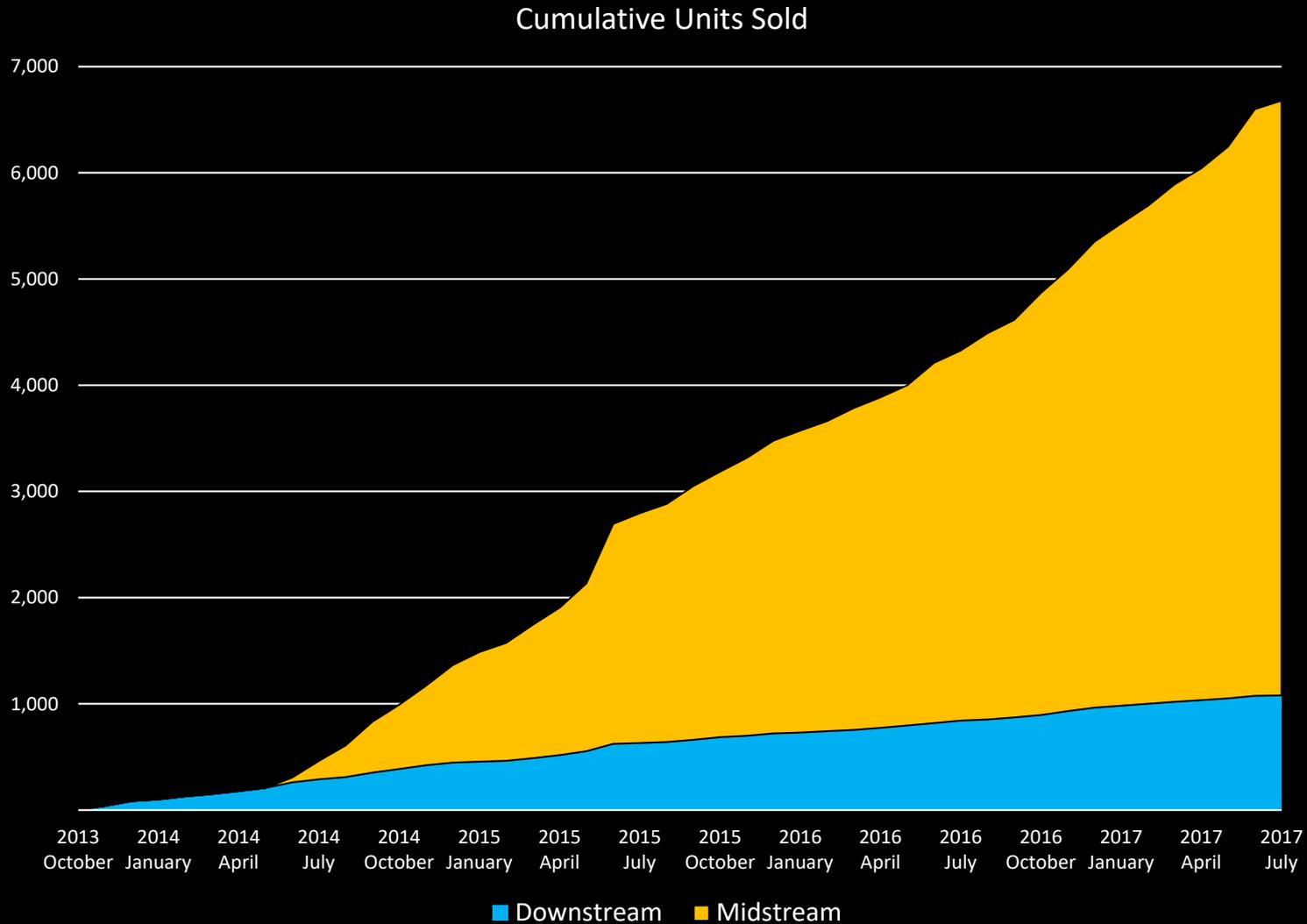
HPCP as a % of CP Sales



Midstream vs. Downstream; Heat Pump Water Heaters



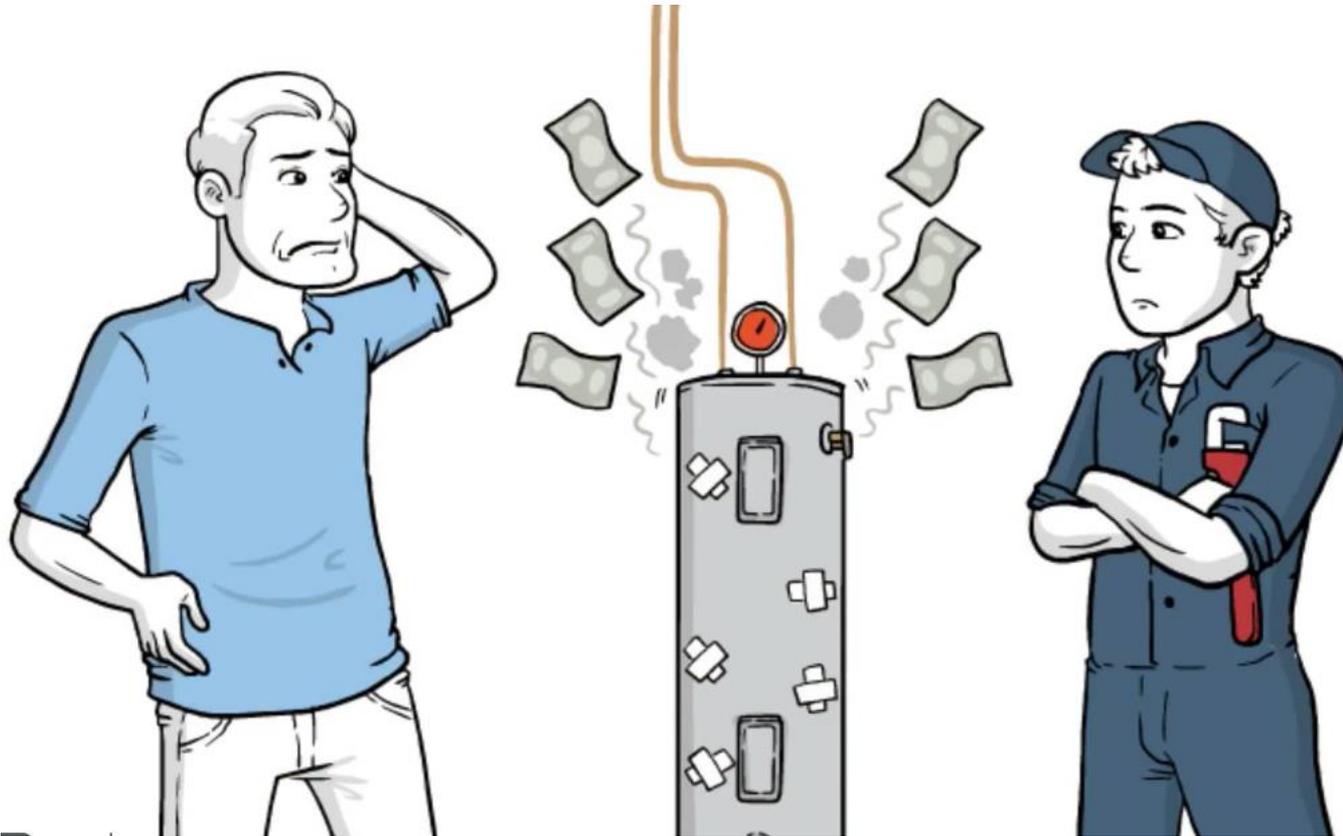
Midstream vs. Downstream; Heat Pump Water Heaters



A thick, wavy green line that spans the width of the page, positioned below the logo and above the text.

**Join the movement....
...Go Midstream**

Consumer Mail-in Rebates Are Ineffective



2017 Instant Rebate Programs



SEE HOW MUCH YOU CAN SAVE!
**WITH A 50-GALLON PROLINE® VOLTEX®
HEAT PUMP WATER HEATER**
VS. A 50-GALLON CONVENTIONAL ELECTRIC WATER HEATER

2017 Instant Discount Programs – Heat Pump Water Heaters

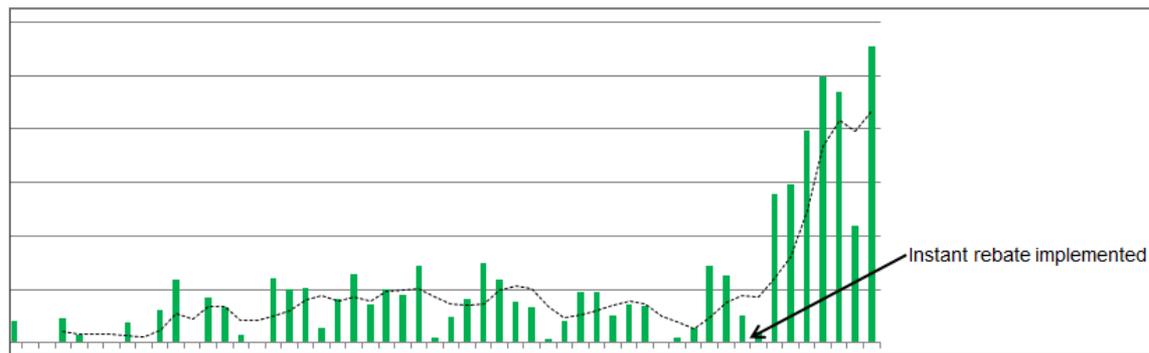
State	Utility	Incentive
Arkansas	Entergy AR	\$300 / unit (50G)
California	San Diego Gas & Electric	\$350 / unit (50G, 66G and 80G)
Connecticut	Energize CT	\$600 / unit (50G, 66G and 80G)
Florida	Orlando Utilities Commission	\$500 / unit (50G, 66G and 80G)
Idaho	NEEA	\$200 / unit (50G) \$300 / unit (66G and 80G)
Maine	Efficiency Maine	\$600 / unit (50G, 66G and 80G)
Montana	NEEA	\$200 / unit (50G) \$300 / unit (66G and 80G)
Ohio	First Energy Ohio	\$250 / unit (50G, 66G and 80G)
Oregon	NEEA	\$200 / unit (50G) \$300 / unit (66G and 80G)
	Energy Trust of Oregon	\$300 / unit (50G, 66G and 80G)
Vermont	Efficiency VT	\$500 / unit (50G, 66G and 80G)
Washington	NEEA	\$200 / unit (50G) \$300 / unit (66G and 80G)
	Puget Sound Energy	\$800 / unit (50G, 66G and 80G)



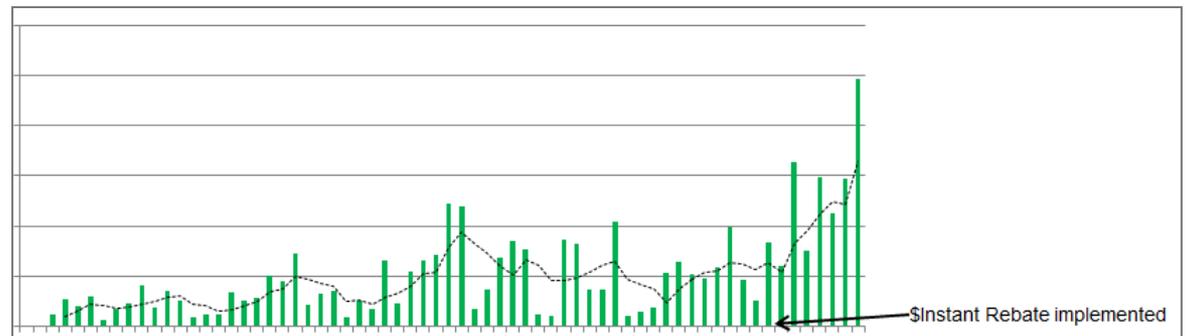
Instant Rebate Lift

A.O. Smith Heat Pump Water Heaters Shipments at Wholesale

Northwest Shipments

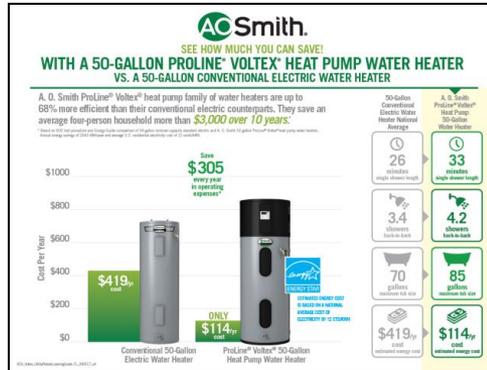


Northeast Shipments



Program Support

Selling Tools



Contractor Incentives

AC Smith.
PUMP UP THE HEAT
CONTRACTOR REWARDS

WITH A TRIP TO RIVIERA MAYA, MEXICO AND 500 OR MORE BONUS POINTS!
For every 2 heat pump codes entered, 500 points will be deposited and a chance to earn a trip entry to soak up the sun in Riviera Maya, Mexico!

From April 1 through September 30, 2011, for every one (1) A. O. Smith Heat Pump water heater codes entered, you will receive 500 bonus points in your Contractor Rewards account. Look for the yellow label and enter the codes online at www.ContractorRewards.com. The lucky winners will see the prizes!

Get more. Thousands of people top heat pump water heaters. ENERGY STAR® rated heat pumps high efficiency water heaters. They benefit include longer warranties and the ability to automatically shut down when not needed. They are available in a variety of sizes. They have built-in electric resistance heating elements for times when demand exceeds what the heat pump can produce.

BUILD UP THE REWARDS YOU DESERVE TODAY!

Product Training



Consumer Advertising

ENERGY SOLUTIONS AN ENERGY MISSISSIPPI PROGRAM | **AC Smith.** Innovation has a name.

A. O. Smith ProLine® Voltex® heat pump water heaters are up to 68% more efficient* than standard electric water heaters.

Save on Upgrade Costs Now | Save \$750 with a mail-in rebate from Entergy Mississippi, Inc.

Save on Energy for Years to Come | Save up to \$305 on your Entergy bill each year.*

HUGE SAVINGS!
\$750
WITH MAIL-IN REBATE FROM ENTERGY MISSISSIPPI

* Based on DOE test procedure and Energy Guide comparison of 50-gallon standard capacity standard electric and A. O. Smith Signature Premier heat pump water heater. Annual energy savings of 2640 kilowatt-hours and average 0.1 residential electricity cost of 12 cents/kWh.

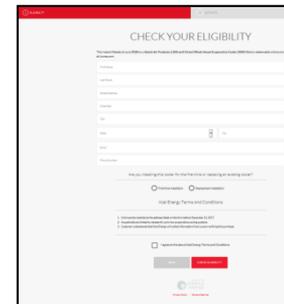
Midstream at Lowe's



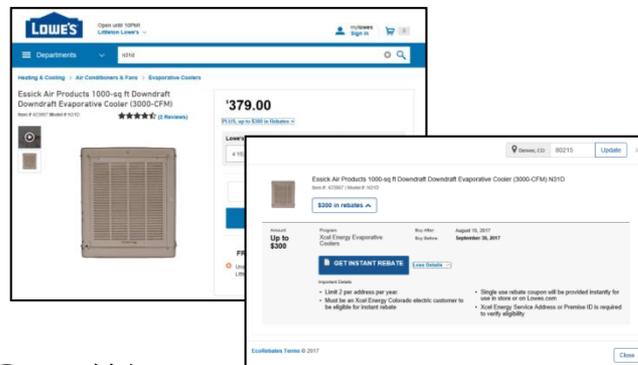
Instant Rebate in Store - POP



Pre-qualification of Utility customer



Instant Rebate on Lowes.com



Barcode scanned in-store or coupon code entered online



Q & A Session Today

- **Members of the TAG are here on the panel today to answer your questions about midstream programs!**
- Contact ENERGY STAR at midstreamdistributor@energystar.gov if interested in learning more!





Speaker Contact Information

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- Jesus Pernia – Eversource Energy
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